

## HUD'S SECTION 3 SUMMARY REPORTING SYSTEM

### Form HUD 60002

Each year more than 5,000 direct recipients of HUD financial assistance are required to comply with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3), which includes annual reports using Form HUD 60002.

HUD defines “recipients” as entities that receive Section 3 covered assistance, directly from HUD or from another recipient (i.e., a PHA; unit of State or local government; property owner; developer; etc.). This term does not include contractors or any intended beneficiary under the HUD program to which Section 3 applies, such as a homeowner or a Section 3 resident.

#### Determining if Your Agency Has Section 3 Obligations

(Including Submitting Form HUD 60002)

The following are required to submit Form HUD 60002 to HUD annually for each type of covered assistance received:

- a. Direct recipients of the following **Public and Indian Housing (PIH)** funding: (1) development assistance pursuant to Section 5 of the U.S. Housing Act of 1937; (2) operating assistance pursuant to Section 9 of the U.S. Housing Act of 1937; (3) modernization grants pursuant to Section 14 of the U.S. Housing Act of 1937; and (4) certain other competitive PIH grant funding, such as HOPE VI or Choice Neighborhoods<sup>1</sup>.

**Section 3 applies to all of the funding listed above, regardless of the dollar amount provided to the direct recipient. All activities, construction or otherwise and all positions funded by such financial assistance are subject to Section 3.**

**EXEMPTION—PHAs that only receive or administer tenant-based Housing Choice (Section 8) Vouchers** and do not utilize any of the financial assistance described above.

- b. Direct recipients of **housing and community development assistance in excess of \$200,000** that is used for activities involving: (1) housing rehabilitation (including reduction and abatement of lead-based paint hazards); (2) housing construction; or (3) other public construction. The following is a list of examples of such funds:
  - Community Development Block Grants (CDBG)
  - Community Development Block Grant Disaster Recovery (CDBG-DR)
  - HOME Investment Partnership Grants
  - Neighborhood Stabilization Program Grants (NSP 1, 2 & 3)

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<sup>1</sup>See the specific HUD Notice of Funding Availability (NOFA) to determine Section 3 applicability for competitive funding.

- Economic Development Initiative (EDI)/Brownfield Economic Development Initiative Grants
- Housing Opportunities for Persons with AIDS (HOPWA)
- Continuum of Care Homeless Grants
- University Partnership Grants
- Project Based Housing Vouchers
- Rental Assistance Demonstration Grants (RAD)
- 202 Supportive Housing for the Elderly Grants
- 811 Supportive Housing for the Disabled Grants
- Lead Hazard Control Grants

**NOTE:** With respect to HUD **housing and community development assistance** (i.e., non-public housing assistance), the requirements of Section 3 only apply to projects or activities involving housing construction, rehabilitation, or other public construction.

### Section 3 Reporting Requirements

Direct recipients of HUD funding that is subject to Section 3 requirements are required to submit Section 3 reports for each type of covered funds received annually during their reporting period. Also, they should submit Form HUD 60002 in accordance with the following:

- a. If the program providing covered HUD funding requires an annual performance report (i.e., CAPERs report, etc.), Form HUD 60002 is due and shall be submitted electronically at the same time the program performance report is due.
- b. If an annual performance report is not required, Form HUD 60002 shall be submitted electronically by January 10<sup>th</sup> of each year.
- c. If the grantee received funding for a project (e.g., HOPE VI, Lead Hazard Control grant, etc.) that ends before December 31, Form HUD 60002 shall be submitted electronically with each annual performance report and/or within 10 days of project completion.

Form HUD 60002 should **not** be submitted by subrecipients of covered HUD funding or contractors who receive awards from direct recipients of covered funding. These entities must consult the agency that provided them covered funding to determine their Section 3 reporting requirements.

Recipients that submit false or erroneous data into this Section 3 Performance Evaluation and Registry System (SPEARS) will be subject to sanctions as set forth in the program NOFA or regulation governing the financial assistance used; such sanctions may include repayment of HUD funding or civil and criminal penalties.

## Completing the Online Section 3 Summary Report Form HUD 60002

Items with a Red asterisks (\*) below are mandatory/required information.

### **Step 1 — Agency Profile**

1. Recipient Agency Name and Address: This information is extracted from HUD's Line of Credit Control System (LOCCS). If necessary, please contact the HUD program office that provided Section 3 covered funding to your agency (i.e., PIH, CPD, Housing, etc.) to make corrections to the information shown on this page.
2. Enter Contact Person Name, Telephone & Fax Numbers, and Contact Email Address: Direct recipients are required to enter the contact name, telephone & fax numbers, and email address for the person that is responsible for submitting this form. \*
3. Click **Continue**.

### **Step 2 — Section 3 Covered Funding**

1. This page displays an extract from HUD's LOCCS system of the total dollar amount drawn-down (disbursed/expended) by the recipient or business partner and lists these expenditures by program code and name. Only Section 3 covered funding is listed in the matrix displayed on this page. A separate Section 3 report must be submitted for each type of covered funds listed.
2. Agency Submission Summary: This portion of the page automatically displays the reports and the submission date for previous submissions of HUD Form 60002 for the corresponding reporting period. This feature allows direct recipients to identify outstanding Section 3 reports that have not been submitted to HUD.

### **Step 3 — New Hires<sup>i</sup> Page**

1. Reporting Period: Recipients must select the start date (month/day/year) associated with the Section 3 summary report(s) being submitted from the drop box. \*

2. Program Code Name: Recipients must select the appropriate program name and code associated with the report being submitted from the drop box. \*
3. Employment and Training Opportunities: Direct recipients must compile data for all of the new employees that were hired as a result of the expenditure of the funding selected during the reporting period. In order to complete this information, direct recipients must complete the following:
  - A. Select the appropriate job category for each **new** employment opportunity created by the direct recipient and its subrecipients or contractors during the reporting period. Click the “New Job Category” button to add additional job categories to the form. See HUD’s Section 3 Frequently Asked Questions for more information on the definition of [“New Hires”](#)
  - B. Enter the number of all new hires for each job category selected. \*
  - C. Enter the number of new hires that met the definition of a [Section 3 resident](#) for each job category selected—this number should be a sub-set of the number in Item B. \*
  - D. The percentage of Section 3 new hires is automatically calculated based on the information entered into Items B and C.
  - E. Enter the total staff hours worked by all workers on projects/activities that were funded by the assistance associated with this report during the reporting period indicated for each job category selected (optional).
  - F. Enter the staff hours worked by all Section 3 workers on projects/activities that were funded by the assistance associated with this report during the reporting period indicated for each job category selected (optional). —this number should be a sub-set of the number in Item E.
  - G. Enter the number of Section 3 Trainees for each job category selected. \*
4. \*\* Click **Continue**.

**\*\*NOTE**—Recipients that do not meet all three minimum numerical goals for employment and contracting, **must** submit an explanation on the [Compliance Summary Page](#).

## **Step 4 –Contracting Opportunities<sup>ii</sup> Page**

Construction Contracting Opportunities: Direct recipients of Section 3 covered HUD funding must compile data for the construction and non-construction contracts that were generated during the

reporting period associated with the funding selected. In order to complete this information, recipients must enter the following:

#### Construction Contracting Opportunities

1. Total dollar amount of construction contracts awarded during the reporting period. The total amount should include both HUD and leveraged amounts. \*
2. Dollar amount of construction contracts awarded to [Section 3 businesses](#) during the reporting period. The amount entered should reflect both HUD and leveraged amounts. The amount entered cannot exceed the amount entered for item number 1. \*
3. The percentage of the dollar amount of the construction contracts awarded to Section 3 businesses during the reporting period is automatically calculated. This amount cannot exceed 100%\*
4. Number of Section 3 businesses that received the construction contracts listed in item number 2.. \*

#### Non-Construction Contracting Opportunities

**Non-Construction contracts** are professional services contracts that are associated with construction. Some examples include: architecture, engineering, site preparation, legal, window, etc.

1. Total dollar amount of **Non**-construction contracts awarded during the reporting period. The total amount should include both HUD and leveraged amounts. \*
2. Dollar amount of **Non**-construction contracts awarded to [Section 3 businesses](#) during the reporting period. The amount entered should reflect both HUD and leveraged amounts. The amount entered cannot exceed the amount entered for item number 1. \*
3. The percentage of the dollar amount of the **Non**-construction contracts awarded to Section 3 businesses during the reporting period is automatically calculated. This amount cannot exceed 100%\*
4. Number of Section 3 businesses that received the **Non**-construction contracts listed in item number 2. \*
5. \*\*Click **Continue**.

**\*\*NOTE**—Recipients that do not meet all three minimum numerical goals for employment and contracting **must** submit an explanation on the [Compliance Summary Page](#).

## **Step 5 — Section 3 Compliance Summary Pages**

This page provides a summary of the recipient's efforts to meet the three minimum numerical goals for employment and contracting for the covered assistance expended during the reporting period.

Direct recipients that have met all three minimum numerical goals are provided "safe harbor" compliance by HUD, *absent evidence to the contrary*, pursuant to the Section 3 regulation at 24 CFR part 135.30(d)(1). However, if a subsequent HUD enforcement action reveals that the recipient has failed to comply with the responsibilities set forth at 24 CFR part 135.32, this safe harbor compliance determination may be rescinded.

1. Recipients should select the statement that appropriately represents the actions that were taken by their agency to achieve compliance.
2. Recipients should select "Other" to describe activities that are not listed on this page.
3. Recipients that failed to meet any of the three minimum numerical goals for employment, construction contracts, or non-construction contracts **MUST** enter an explanation into the narrative box. Explanations must also be entered by direct recipients who maintain that their expenditure of covered funding did not result in new employment or contracting opportunities by their agency, covered subrecipients, or contractors, during the reporting period. \*

Justifications may include impediments encountered despite actions taken or indicate other economic opportunities that were provided during the reporting period as evidence of their efforts to comply with Section 3. HUD will take each direct recipient's explanation regarding their failure to meet the minimum numerical goals into consideration when making final compliance determinations

Recipients are also encouraged to enter any additional information demonstrating their efforts to achieve Section 3 compliance into the narrative box on this page even if they successfully met all three minimum numerical goals.

6. Click **Continue**.

**\*\*NOTE**—Recipients that do not meet all three minimum numerical goals for employment and contracting **must** submit an explanation on the **Compliance Summary Page**.

HUD will take each recipient's explanation regarding their failure to meet all three Section 3 minimum numerical goals into consideration when making final compliance determinations.

### **Step 7 – Certification**

Recipients shall certify the following before submitting Form HUD 60002 to the Department: \*

“...the statements and information contained herein are true and accurate, and meet the regulatory requirements of Section 3 of the Housing and Urban Development Act of 1968 as set forth at 24 CFR Part 135. I understand that false, inaccurate or incomplete information on this form or accompanying documents may result in the imposition of sanctions consistent with the source of HUD funds provided to my agency, including, debarment, suspension and limited participation in HUD programs.”

### **Step 8 – Submitting Form HUD 60002 to HUD**

1. Direct recipients shall submit their completed Form HUD 60002 to HUD by clicking on the Submit button.
2. Form 60002 is submitted electronically in real-time to the U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity, Economic Opportunity Division.
3. Please **do not** submit any paper copies of Form HUD 60002 to HUD. Copies of reports submitted can be obtained by sending an email request to [60002questions@hud.gov](mailto:60002questions@hud.gov).

### **Step 9 – Printing and Saving Form HUD 60002 After Submission to HUD**

1. Once submitted, users will have the option to print or save a date-stamped PDF copy of Form HUD 60002 by clicking on the appropriate box.
2. Grantees may request copies, submit amendments, or inquire about Section 3 reports submitted to HUD by sending an email to: [60002questions@hud.gov](mailto:60002questions@hud.gov)
3. Please maintain all records or documents that will substantiate the data submitted on Form HUD 60002.

## We Need Your Help!!

HUD's [Section 3 Business Registry](#) contains contract information for Section 3 businesses across the country. Its purpose is to increase the amount of contracts that are awarded Section 3 Businesses and their overall exposure to HUD-funded agencies and their subrecipients, contractors, and developers—all of who have Section 3 obligations.

Its success depends on the number of businesses that self-certify and recipients, contractors, etc. that use it!!

Please encourage Section 3 Businesses that you have worked with previously, or that you think may meet one of the regulatory definitions, to self-certify with HUD's Section 3 Business Registry. Doing so will make other local agencies and contractors with Section 3 obligations aware of their status and the services they provide, which will ultimately strengthen your local economy and promote self-sufficiency.

We also encourage PHAs and other covered grantees to use the registry as a tool for locating Section 3 businesses in your local area to be notified about HUD-funded contracting opportunities that you or your subrecipients, contractors, developers, etc. may have available, as stipulated in the Section 3 regulations.

Please [click here](#) to access Section 3 Outreach Materials.

Additional information about Section 3 obligations can be obtained by visiting:  
[www.hud.gov/section3](http://www.hud.gov/section3)

Thank you for your assistance!

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<sup>i</sup> Section 3 Residents are defined as: A "section 3 resident" is: 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or non-metropolitan county where the Section 3 covered assistance is expended. Click here to identify [HUD's income limits](#) for your

<sup>ii</sup> Section 3 Businesses are defined as: Section 3 business concerns are businesses that can provide evidence that they meet one of the following criteria:

a) 51 percent or more owned by [Section 3 residents](#); or



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- b) At least 30 percent of its full time employees include persons that are currently [Section 3 residents](#), or were Section 3 residents within three years of the date of first hire\*; or
  - c) Provides evidence, as required, of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to business concerns that meet one of the first two qualifications above.